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Denmark

Dairy and Products

Annual

2000

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Report Highlights:

The Danish dairy industry remains at the previous year's level of production and trade. Denmark exports more than 80 percent of its dairy production, mainly butter and cheese at the UK, German and Saudi Arabia markets.

Includes PSD changes: Yes

Includes Trade Matrix: Yes

Annual Report

Copenhagen [DA1], DA

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Executive Summary

Denmark's total milk production is 4.5 million metric tons, of which 12 percent, or 519,000 MT, is used as fresh milk for consumption. The rest is processed into cheese, butter and dry milk.

With Denmark exporting more than 80 percent of its dairy production, the specific production of different dairy commodities is determined by market opportunities. Although market conditions have changed drastically with the disappearance of the Russian market, increased cheese exports to the EU markets (now exceeding 70 percent of total exports) and decreasing butter exports should continue.

The Danish spreadable butter product marketed under the brand name Lurpak Spreadable has increased sales in Denmark and the UK and is now on the German market. Since there is only one producer (MD Foods), production and trade figures are not publicized.

Danish 1999 dairy exports amounted to \$1.5 billion, corresponding to 21 percent of Denmark's total agricultural exports.

The EU is increasingly the primary outlets for Denmark's dairy exports and now account for more than 70 percent of the total. Major markets are the UK, Saudi Arabia and Germany.

Denmark is successfully exporting all dairy production not used for domestic consumption, but at depressed prices.

Consumption of organic milk constitutes about 21 percent of all fresh milk but is now growing at a reduced rate. Markets for organic dairy products in Germany and UK are being explored more aggressively.

Average Exchange rates: 1999: U.S.\$1 = DKK 6.98
 October 2000: U.S.\$1 = DKK 8.50

SECTION I. SITUATION AND OUTLOOK

Production

The Danish milk quota of 4,454,640 MT for the 1999/00 (April to March) year was exceeded by 15,867 tons.

Milk production for CY 2000 and 2001 is forecast to remain just above the quota level.

Apart from domestic consumption of fluid milk, the milk and milk fat is used for other dairy products according to market demands. No Danish dairy products are sold to EU intervention stocks.

Production figures reflect production in tons, irrespective of butter fat content, and may be misleading. According to the dairy industry, there is a deliberate move toward exports of higher fat content cheeses to counter EU export subsidy restrictions, reducing the quantities to be exported with restitutions. Also, lower EU export restitutions on cheese exports have directed more milk into production of nonfat dry milk. The final amount is dependent on cheese export opportunities.

Danish table butter statistics include only butter with a butterfat percentage of 82 percent, while the popular blended butter and vegetable oil product is not included in the statistical production figures. Production and consumption of "normal" table butter is decreasing. Production and consumption of the mixed products (spreadable with fat content of 80 percent, of which 25 percent is vegetable and 75 percent is butter fat) is increasing, thus leaving the total consumption of butterfat only slightly increasing. PS&D table figures include industrial use. Production and trade figures of the Lurpak spreadable product are not publicized. Out of the domestic consumption of table butter, the spreadable products are estimated to account for about two thirds of the total. This amount is not accounted for anywhere.

Although organic milk consumption accounts for 25 percent of total fluid milk consumption, organic milk production only accounts for about 2,9 percent of total milk production. Organic milk production is now growing at about 10 percent per year, but far above consumption, which is increasing by 3 percent per year. Organic milk producers are paid an additional 20 percent for their milk. This is based on a fixed governments subsidy of DKK 0.40 after 1 ½ year after a contract on organic production is signed with the government. A variable surplus price is paid by the dairies according to the amount of milk sold as organic (compared to organic milk sold as ordinary milk at a lower price). At present this utilization is 73 percent and the surplus price is DKK 0.35. Since 1990, organic milk producers have been able to earn income double than those supplying traditional milk. Surprisingly, organic producers are larger than average ordinary milk producers.

Consumption

Danish fluid milk consumption increased in 1999 by two percent. The increase in low fat milk is more than offsetting the decline in full fat milk consumption.

Trade

In 1999, Danish exports of dairy products exceeded DKK 10.5 billion (U.S.\$ 1.5 billion). Exports to EU countries continue to increase with major markets being Germany, UK and Saudi Arabia.

The almost complete discontinuation of butter exports to Russia during 1999 hurt the EU dairy product markets and lowered prices at most markets. With declining sales to third country markets, bulk prices are declining. However, branded commodities seem to maintain existing prices. After only one year of stabilization, butter exports declined additional 4,000 MT to 39,400 MT. While butter exports to EU countries continued to decrease slightly, exports to third countries remained steady. The U.K. continues to be by far the largest market for Danish butter, followed by Saudi Arabia and Germany.

Fluid milk imports are primarily from Germany and reflect border trade. There are some imports by German owned supermarket chains. Exports are mainly for U.S. troops.

In 1999, cheese exports decreased by 2,750 MT (one percent). Exports to EU countries are 70 percent of total cheese exports and remained unchanged for 1999. Feta cheese exports decreased from 29,500 MT in 1998 to 24,500 MT in 1999, down from 37,000 MT in 1997. Major Feta cheese destinations were Germany, Saudi Arabia, and Yemen. In spite of the pressed situation, Denmark is able to maintain cheese exports to Japan of about 12,000 MT in the strong competition from Australia and New Zealand. Exports to U.S. increased by 3,000 MT to 14,300.

In general, butter and nonfat dry milk exports are considered residual after markets for cheese and dry milk have been saturated. Butter exports continue decreasing, especially to the U.K. However, traditionally butter exports are replaced by the blended butter and vegetable product marketed under the name Lurpak spreadable. The exports are reported by the exporter, MD Foods, an enormous success. Unfortunately export figures are kept secretly and not published in Danish trade statistics. According to press releases, Lurpak now has a market share of 30 percent of the total UK butter market, of which the Lurpak Spreadable has a share above 50 percent, or about 10,000 MT. The export value of this product is estimated at DKK 300 million (\$45 million).

Butter imports are for industrial use only, mainly ice cream production, although some cheap imported butter is transferred to oil and reexported.

With the increasing production of organic milk and as the Danish market is saturated, the Arla Foods are looking for export markets for organic dairy products. Marketing studies reveal that organic demand is fast increasing in Germany and U.K. and Danish dairies have decided to exploit these marketing opportunities. A major campaign for the UK market will be launched later this year. No indication of the size or amount of the campaign have been given.

Contracts with Japanese cheese importers for the second half of 2000 should increase Danish cheese exports to Japan by 15 percent, compared to the first six month of 2000, which also stands at a record. Denmark is mainly exporting yellow cheese to Japan. Denmark is the third largest exporter to Japan after Australia and New Zealand. In order to secure a continued high price for its products, Arla Foods cooperate with the importers in product development. For example, the Japanese seem to be innovative in their snack ingredient combinations.

Total Danish cheese exports have hardly increased during the 1990's. Total exports have increased from 226,500 MT in 1990 to 236,800 MT in 1999 with a peak of 260,000 MT in mid 90's. At that time, Iran was a major market of feta cheese at about 75,000 MT per year. This market has now totally disappeared and feta cheese exports to Egypt has dropped from 20,000 MT in 1990 to 600 MT in 1999.

Although EU export restitutions still are utilized as a marketing tool, it is only exploited to about 2/3 of the allowable WTO quantities. Denmark now seems to have adjusted to this new regime as shown in the table below:

Development in EU (FEOGA) export restitutions. Million DKK

	1993	1994	1995	1996	1997	1998	1999	January to August	
								1999	2000
Cheese	1,253	1,098	920	577	297	270	284	163	169
Butter	220	218	301	218	652	226	246	116	142
Other 1)	974	1,057	924	702	633	799	761	433	447
Total	2,447	2,373	2,145	1,497	1,402	1,298	1,291	712	758

1) Mainly dry milk and non fat dry milk

Increasing international prices on dry milk and especially nonfat dry milk in combination with increasing dollar exchange rate have continuously decreased EU export restitutions the last year. For the 7th time this year, EU restitutions were reduced in August 2000 to Euro 530 per MT for nonfat dry milk and to Euro 790 per MT dry milk, a reduction of 52 percent and 43 percent respectively since January 1, 2000. Nonfat Dry milk restitutions were further decreased first week of September to 30 percent of the January level.

Stocks

Danish butter and cheese stocks are not publicized and PS&D figures are OAA estimates.

EU intervention purchases are based on market prices falling below a certain level. The intervention price is still somewhat below Danish milk prices and Denmark is not foreseen to be included into the "intervention club". This will take considerable amounts of butter out of the market for both private and public stocks. No Danish dairy products have since 1986 been purchased for EU intervention stocks. However, some 1999 nonfat dry milk exports include exports to German intervention stocks where prices are higher than in Denmark.

1999 decrease in exports of dry milk reflect increased competition with U.S. and Mexico in Venezuela and the East Asian markets.

Following the first case of BSE in a Danish cow February 28, 2000, Saudi Arabia decided early March to stop all beef and dairy product imports from Denmark although they are aware that WHO sees no risk connected with dairy products, even where BSE is detected. Some other Gulf states followed Saudi Arabia. Saudi Arabia did not lift their ban before late July, while the other Gulf states lifted their bans in April.

Policy

The Danish Government and the Danish agricultural organizations, especially the Danish Dairy Board, are not satisfied with the dairy component of the Agenda 2000 March 1999 agreement. Denmark wanted a more rapid orientation towards free trade including a gradual 30 percent price decrease during the period year 2000 to 2006 and a 4 percent quota increase during the same period. Denmark also supported a liquidation of the quota system by year 2006 and elimination of the intervention system.

The Danish Dairy Federation still believes that a reform of the EU dairy policy might be necessary due to the EU enlargement and the WTO negotiations which both lays pressure on market expansions. The federation is also of the opinion that Germany now support an abolition of the milk quota system, a longstanding Danish desire.

Marketing

Effective April 17, 2000 MD Foods merged with the Swedish dairy company Arla under the name Arla Foods. This company is Europe's largest dairy company with 19,000 employees and sales of DKK 36.5 billion (\$4.5 billion). How the company will use its force on the export markets are still uncertain. Most plans seem to concern rationalization of production facilities. A new cheese production facility is under construction in Denmark with a planned capacity 50,000 MT per year.

The Danish Dairy Board finance Lurpak promotions on the export markets and certain milk promotion activities on the domestic market. The latter are mainly directed at maintaining the existing consumption level including school milk consumption. The 1999 budget for the Lurpak promotions were DK 20 million (\$2.8 million).

The introduction of Lurpak Spreadable has increased the marketing activities. In the UK, TV advertising is concentrated in the southern UK and in Germany around Berlin and northern Germany.

Promotion in the Middle East is concentrated around store promotions and advertizing.

SECTION II. STATISTICAL TABLES

Trade data in this report include January to June 1999 and 2000. For full year trade data for 1998 and 1999: See DA0016

Fluid Milk

PSD Table						
Country	Denmark					
Commodity	Dairy, Milk, Fluid				(1000 HEAD)(1000 MT)	
	Revised	1999	Preliminary	2000	Forecast	2001
	Old	New	Old	New	Old	New
Market Year Begin		01/1999		01/2000		01/2001
Cows In Milk	681	680	660	675	0	665
Cows Milk Production	4656	4650	4630	4600	0	4550
Other Milk Production	0	0	0	0	0	0
TOTAL Production	4656	4650	4630	4600	0	4550
Intra EC Imports	12	10	15	10	0	10
Other Imports	0	0	0	0	0	0
TOTAL Imports	12	10	15	10	0	10
TOTAL SUPPLY	4668	4660	4645	4610	0	4560
Intra EC Exports	16	15	12	26	0	30
Other Exports	8	8	6	8	0	10
TOTAL Exports	24	23	18	34	0	40
Fluid Use Dom. Consum.	590	590	590	585	0	590
Factory Use Consum.	3929	3922	3912	3866	0	3805
Feed Use Dom. Consum.	125	125	125	125	0	125
TOTAL Dom. Consumption	4644	4637	4627	4576	0	4520
TOTAL DISTRIBUTION	4668	4660	4645	4610	0	4560
Calendar Yr. Imp. from U.S.	0	0	0	0	0	0
Calendar Yr. Exp. to U.S.	0	0	0	0	0	0

Export Trade Matrix			
Country	Denmark		
Commodity	Dairy, Milk, Fluid		
Time period	Jan-June	Units:	Metric Tons
Exports for:	1999		2000
U.S.		U.S.	
Others		Others	
UK	1154	UK	9442
Saudi Arabia	2837	Saudi Arabia	3051
Germany	1630	Germany	1627
Greenland	712	Greenland	707
Greece	445	Greece	615
Spain	461	Spain	310
Kuwait	146	Kuwait	178
Unit. Arab Emir.	158	Unit. Arab Emir.	138
Faroe Islands	125	Faroe Islands	133
Jordan	91	Jordan	145
Total for Others	7759		16346
Others not Listed	1089		1117
Grand Total	8848		17463

Import Trade Matrix			
Country	Denmark		
Commodity	Dairy, Milk, Fluid		
Time period	Jan to June	Units:	Metric Tons
Imports for:	1999		2000
U.S.		U.S.	
Others		Others	
Germany	6726	Germany	2906
Sweden	1320	Sweden	5002
Belgium	463	Belgium	82
Netherlands	290	Netherlands	31
		France	
Total for Others	8799		8021
Others not Listed	881		23
Grand Total	9680		8044

Cheese

PSD Table						
Country	Denmark					
Commodity	Dairy, Cheese				(1000 MT)	
	Revised	1999	Preliminary	2000	Forecast	2001
	Old	New	Old	New	Old	New
Market Year Begin		01/1999		01/2000		01/2001
Beginning Stocks	26	26	34	25	34	25
Production	293	285	295	305	0	315
Intra EC Imports	36	33	30	40	0	40
Other Imports	2	2	1	2	0	2
TOTAL Imports	38	35	31	42	0	42
TOTAL SUPPLY	357	346	360	372	34	382
Intra EC Exports	169	170	180	184	0	190
Other Exports	68	66	60	68	0	70
TOTAL Exports	237	236	240	252	0	260
Human Dom. Consumption	86	85	86	95	0	97
Other Use, Losses	0	0	0	0	0	0
Total Dom. Consumption	86	85	86	95	0	97
TOTAL Use	323	321	326	347	0	357
Ending Stocks	34	25	34	25	0	25
TOTAL DISTRIBUTION	357	346	360	372	0	382
Calendar Yr. Imp. from U.S.	3	0	3	0	0	0
Calendar Yr. Exp. to U.S.	11	11	11	16	0	0

Export Trade Matrix			
Country	Denmark		
Commodity	Dairy, Cheese		
Time period	Jan-Jun	Units:	Metric Tons
Exports for:	1999		2000
U.S.	5978	U.S.	6605
Others		Others	
Germany	39599	Germany	42703
Sweden	14888	Sweden	7452
UK	6872	UK	9304
Saudi Arabia	7444	Saudi Arabia	6910
Spain	5853	Spain	7582
Japan	5956	Japan	6255
Greece	5270	Greece	4666
France	3888	France	4867
Netherlands	3707	Netherlands	4111
Total for Others	93477		93850
Others not Listed	21330		23716
Grand Total	120785		124171

Import Trade Matrix			
Country	Denmark		
Commodity	Dairy, Cheese		
Time period	Jan-Jun	Units:	Metric Tons
Imports for:	1999		2000
U.S.	0	U.S.	0
Others		Others	
Germany	5468	Germany	4715
France	2784	France	4074
Netherlands	1173	Netherlands	3189
Italy	1688	Italy	2888
UK	3648	UK	1610
Sweden	533	Sweden	2182
Belgium	1248	Belgium	1070
Austria	160	Austria	260
Norway	354	Norway	131
New Zealand	286	New Zealand	138
Total for Others	17342		20257
Others not Listed	915		1036
Grand Total	18257		21293

Butter

PSD Table						
Country	Denmark					
Commodity	Dairy, Butter				(1000 MT)	
	Revised	1999	Preliminary	2000	Forecast	2001
	Old	New	Old	New	Old	New
Market Year Begin		01/1999		01/2000		01/2001
Beginning Stocks	0	0	0	0	0	0
Production	48	46	48	44	0	42
Intra EC Imports	14	16	9	16	0	16
Other Imports	4	4	1	2	0	2
TOTAL Imports	18	20	10	18	0	18
TOTAL SUPPLY	66	66	58	62	0	60
Intra EC Exports	25	25	19	24	0	23
Other Exports	16	17	15	16	0	15
TOTAL Exports	41	42	34	40	0	38
Domestic Consumption	25	24	24	22	0	22
TOTAL Use	66	66	58	62	0	60
Ending Stocks	0	0	0	0	0	0
TOTAL DISTRIBUTION	66	66	58	62	0	60
Calendar Yr. Imp. from U.S.	0	0	0	0	0	0
Calendar Yr. Exp. to U.S.	0	0	0	0	0	0

Export Trade Matrix			
Country	Denmark		
Commodity	Dairy, Butter		
Time period	Jan-Jun	Units:	Metric Tons
Exports for:	1999		2000
U.S.	0	U.S.	0
Others		Others	
UK	6992	UK	8164
Saudi Arabia	2595	Saudi Arabia	3021
Germany	1688	Germany	2188
Iran	530	Iran	1953
Unit.Arab Emir.	676	Unit.Arab Emir.	874
Italy	539	Italy	889
Libanon	607	Libanon	628
Kuwait	369	Kuwait	427
Greece	441	Greece	369
Turkey	505	Turkey	181
Total for Others	14942		18694
Others not Listed	3172		3200
Grand Total	18114		21894

Import Trade Matrix			
Country	Denmark		
Commodity	Dairy, Butter		
Time period	Jan-Jun	Units:	Metric Tons
Imports for:	1999		2000
U.S.	0	U.S.	
Others		Others	
Sweden	1565	Sweden	2965
Belgium	1574	Belgium	2053
Netherlands	711	Netherlands	1275
New Zealand	1000	New Zealand	1104
France	424	France	485
Germany	745	Germany	342
Finland	1228	Finland	22
Norway	11	Norway	56
UK	60	UK	23
Total for Others	7318		8325
Others not Listed	5		4
Grand Total	7323		8329

Nonfat Dry Milk

PSD Table						
Country	Denmark					
Commodity	Dairy, Milk, Nonfat Dry			(1000 MT)		
	Revised	1999	Preliminary	2000	Forecast	2001
	Old	New	Old	New	Old	New
Market Year Begin		01/1999		01/2000		01/2001
Beginning Stocks	0	0	0	0	0	0
Production	34	35	30	38	0	40
Intra EC Imports	2	2	2	3	0	2
Other Imports	0	0	0	0	0	0
TOTAL Imports	2	2	2	3	0	2
TOTAL SUPPLY	36	37	32	41	0	42
Intra EC Exports	20	20	18	22	0	22
Other Exports	2	3	5	3	0	3
TOTAL Exports	22	23	23	25	0	25
Human Dom. Consumption	0	0	0	0	0	0
Other Use, Losses	14	14	9	16	0	17
Total Dom. Consumption	14	14	9	16	0	17
TOTAL Use	36	37	32	41	0	42
Ending Stocks	0	0	0	0	0	0
TOTAL DISTRIBUTION	36	37	32	41	0	42
Calendar Yr. Imp. from U.S.	0	0	0	0	0	0
Calendar Yr. Exp. to U.S.	0	0	0	0	0	0

Export Trade Matrix			
Country	Denmark		
Commodity	Dairy, Milk, Nonfat Dry		
Time period	Jan-Jun	Units:	Metric tons
Exports for:	1999		2000
U.S.	0	U.S.	0
Others		Others	
Italy	2313	Italy	1946
Netherlands	3032	Netherlands	712
UK	758	UK	710
Sweden	1358	Sweden	244
Germany	377	Germany	462
France	286	France	337
Spain	367	Spain	263
Indonesia	187	Indonesia	288
Israel	157	Israel	290
Philippines	24	Philippines	339
Total for Others	8859		5591
Others not Listed	4945		1001
Grand Total	13804		6592

Import Trade Matrix			
Country	Denmark		
Commodity	Dairy, Milk, Nonfat Dry		
Time period	Jan-Jun	Units:	Metric Tons
Imports for:	1999		2000
U.S.	0	U.S.	0
Others		Others	
Germany	1659	Germany	304
Sweden	392	Sweden	396
Norway	1	Norway	439
Netherlands	133	Netherlands	234
UK	111	UK	95
Ireland	116	Ireland	58
Finland	38	Finland	2
Lithuania	22	Lithuania	0
Austria	21	Austria	0
Belgium	2	Belgium	1
Total for Others	2495		1529
Others not Listed			
Grand Total	2495		1529

Whole Milk Powder

PSD Table						
Country	Denmark					
Commodity	Dairy, Dry Whole Milk Powder				(1000 MT)	
	Revised	1999	Preliminary	2000	Forecast	2001
	Old	New	Old	New	Old	New
Market Year Begin		01/1999		01/2000		01/2001
Beginning Stocks	2	2	1	1	2	0
Production	97	95	100	99	0	100
Intra EC Imports	1	1	1	1	0	0
Other Imports	0	0	0	0	0	0
TOTAL Imports	1	1	1	1	0	0
TOTAL SUPPLY	100	98	102	101	2	100
Intra EC Exports	8	8	9	8	0	10
Other Exports	75	75	79	80	0	80
TOTAL Exports	83	83	88	88	0	90
Human Dom. Consumption	9	8	7	8	0	8
Other Use, Losses	7	6	5	5	0	2
Total Dom. Consumption	16	14	12	13	0	10
TOTAL Use	99	97	100	101	0	100
Ending Stocks	1	1	2	0	0	0
TOTAL DISTRIBUTION	100	98	102	101	0	100
Calendar Yr. Imp. from U.S.	0	0	0	0	0	0
Calendar Yr. Exp. to U.S.	0	0	0	0	0	0

Export Trade Matrix			
Country	Denmark		
Commodity	Dairy, Dry Whole Milk Powder		
Time period	Jan-Jun	Units:	Metric Tons
Exports for:	1999		2000
U.S.	0	U.S.	0
Others		Others	
Dominican Rep.	7029	Dominican Rep.	8821
Venezuela	2080	Venezuela	5789
Oman	6776	Oman	3428
Brazil	2343	Brazil	4098
Saudi Arabia	4038	Saudi Arabia	1813
Yemen	2612	Yemen	1994
Bangladesh	1753	Bangladesh	2154
Nigeria	1534	Nigeria	2129
Unit. Arab Emir.	1067	Unit. Arab Emir.	1500
Egypt	1783	Egypt	1040
Total for Others	31015		32766
Others not Listed	10183		6938
Grand Total	41198		39704

Import Trade Matrix			
Country	Denmark		
Commodity	Dairy, Dry Whole Milk Powder		
Time period	Jan-Jun	Units:	Metric Tons
Imports for:	1999		2000
U.S.	0	U.S.	0
Others		Others	
Belgium	144	Belgium	402
France	90	France	322
Netherlands	157	Netherlands	230
Finland	182	Finland	65
Germany	147	Germany	40
Sweden	98	Sweden	56
Ireland	61	Ireland	9
Total for Others	879		1124
Others not Listed			
Grand Total	879		1124